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TAGS: [PGOV](#) [PREL](#) [ECON](#) [AR](#)
SUBJECT: ARGENTINA: PRESIDENT DEFENDS ADMINISTRATION IN
FIRST PRESS CONFERENCE

REF: A. BUENOS AIRES 963 AND PREVIOUS
[1](#)B. BUENOS AIRES 980
[1](#)C. BUENOS AIRES 610
[1](#)D. BUENOS AIRES 629

Classified By: Ambassador E. Anthony Wayne for reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary: On Saturday, August 2, President Cristina Fernandez de Kirchner (CFK) defended her administration's policies in her first press conference in her eight-month tenure. This was a departure from the Kirchners' longstanding media strategy, which has irked the media by not holding press conferences since CFK's husband and former President Nestor Kirchner (NK) took office in 2003, preferring to "talk directly to the people". It also marked a change of style for the combative First Couple, who stoked anger in recent months with harsh rhetoric against the farm sector (ref A). While CFK's remarks were different in tone, all the major dailies carried photos from the press conference portraying her as defiant with some articles describing her as "unrepentant".

[1](#)2. (SBU) During the press conference, CFK said she had "no regrets" in pursuing ag export taxes, dodged a question on whether VP Julio Cobos was a "traitor" for his tiebreaker vote against the taxes (ref B), and asserted that her administration was not imposing sanctions on those provinces whose governors sided with the countryside. She also defended the credibility of Argentina's national statistics agency INDEC and backed her controversial Internal Commerce Secretary, Guillermo Moreno, who is widely accused of engineering under-reporting of domestic inflation. She dismissed critics who claim that her administration is ruled by a "double command" with her husband calling most of the shots. She indicated that Argentina's bilateral relationship with the United States was "normal and serious" and answered questions on the Antonini-Wilson scandal and the Fourth Fleet positively. She also touched on a wide range of economic issues, including Paris Club, Doha, exchange rate policy, investment climate concerns, and the bullet train. End Summary.

Would Repeat Variable Export Tax Exercise

[1](#)3. (SBU) President Cristina Fernandez de Kirchner (CFK) gave a nearly two-hour press conference on August 2 in a post-agricultural crisis effort to revitalize her presidency and win back popular support. The event broke a five-year record begun by her husband and former President Nestor Kirchner (NK), who claimed to prefer to "talk directly to the people" as opposed to holding press conferences. Most local analysts believe the timing was designed to offer a poignant official counterpoint to the inauguration of the annual Buenos Aires Rural Exhibition organized by Argentine Rural

Society (SRA) head Luciano Miguens. This annual week-long fair, emblematic of Argentina's rural cattle ranchers, was supported by representatives of the three other rural agricultural organizations that, along with SRA, comprised the "Mesa de Enlace" (Liaison Table) which worked to defeat CFK's variable export tariff law in the Senate in July (ref B). CFK's press conference succeeded in overshadowing the rural exhibition in the local press, but it did not prevent critical reviews of her remarks.

¶4. (SBU) During the press conference, an unrepentant CFK said she had no regrets about her defeated plan to implement a variable tax scheme on agricultural exports saying that "she would do it all over again." She stated that "for the first time since returning to democracy (in 1983), the institutions were able to seriously discuss ... a law that...relates to the redistribution of income." She criticized the agricultural sector protest, maintaining that her only mistake was to underestimate the power of the opposition her mobile tax proposal would generate from economic interests. In the end, CFK said, those who gained from Congress' rejection of variable export tariffs were the large exporters) a group that the Kirchner administration has repeatedly identified as representatives of a selfish, oligarchic elite.

¶5. (SBU) CFK justified her tough stance with the rural sector due to what she called the "virulent" nature of the farmers' protests, which blocked roads and kept food from markets. She added that high agricultural profits in the face of soaring world food prices "should be taken up as an instrument of economic policy". Nevertheless, CFK did offer an olive branch, saying that the GoA's Bicentennial Agenda

(referring to a delayed GoA "Social Pact" initiative that was to have been ratified by the government, unions and business groups - ref C) was open to all sectors, presumably including the agricultural sector. In his reaction to CFK's remarks, the President of Argentina's Rural Confederation Mario Llambias said he found the response strange since the agricultural sector protests and assemblies had all been peaceful.

Cobos and Cordoba

¶6. (SBU) CFK also offered a thinly veiled criticism of Vice President Julio Cobos, dodging a question about whether she believed Cobos is a traitor by asserting her "respect for institutions." She also denied that her administration is sanctioning provinces for challenging the Casa Rosada. In recent weeks, there have been allegations that the federal government has withheld federal funds to provinces that backed the agricultural sector. According to the local press, the National Social Security administration in 2007 confirmed that the federal government owes Cordoba province approximately AR 1.5 billion in social security payments. The province claims that the federal government owes it an additional AR 1 billion. Facing a budget crunch, Governor Juan Schiaretti successfully passed in late July an austerity plan through the provincial legislature that would reduce payouts to retirees.

¶7. (SBU) This not only provoked labor protests in Cordoba, but also prompted the dispatch from Buenos Aires of Kirchner-backed piqueteros armed with sticks and slingshots that resulted in dozens of wounded police officers and protestors. It has since been reported that 21 out of 25 arrested for violence during the protests were from Buenos Aires province. Leading editorialist for La Nacion Joaquin Morales Sola reports that "there is concern among the Cordoba Province Peronist party that NK has given secret instructions to destabilize Cordoba Governor Juan Schiaretti, to the point of justifying federal intervention in the province." Mariano Grondona's op-ed in La Nacion put it more directly when he asked whether these actions represent NK's revenge for Schiaretti's pro-countryside position in the agricultural tax

debate.

CFK Justifies Superpower Budget Authority

¶8. (SBU) The GoA executive's "Superpower" authority to designate the use of "extraordinary revenues" without congressional oversight has long been interpreted by economic analysts as a mechanism to enhance federal government control over provincial governors. With official annual budgets presented to Congress by NK routinely underestimating projected tax revenues, extraordinary revenues were seen to be directed by the executive to favored allies, rewarding those provinces who supported government policies. CFK sidestepped this issue, arguing that Superpower authority had been granted by congress in the prior Nestor Kirchner administration and that Congress "has control of the budget's execution...the control of public monies is absolute." (Note: Congress votes to renew the executive's superpower authority every December, and there is speculation that this may be the Kirchners' next big legislative battle.)

CFK Supports INDEC and Price Control Czar Moreno

¶9. (SBU) CFK's new Chief of Cabinet, Sergio Massa had, on July 25, acknowledged that the credibility of INDEC (the GoA statistics agency that calculates "official" inflation indices) needed to be "recovered," and raised hopes among economists and private sector organizations that the GoA would finally address this growing embarrassment. However, CFK's remarks to the press kept to the GoA party line: "INDEC uses a measuring system whose (CPI index) modification was announced a few months ago (ref D)...such measuring systems always elicit doubts in all societies and in all economies." She added that public doubts over INDEC's credibility had been prompted by media manipulation.

¶10. (SBU) Following Massa's appointment, there had also been considerable speculation that Commerce Secretary Guillermo Moreno, who is also responsible for policing the GoA's price and export control regime, would be moved to a less controversial portfolio. During the press conference,

CFK specifically defended Moreno, the senior administration official most closely linked to the GoA's now 18-month long intervention in INDEC: "My God, why always 'satanize' officials?" she said, affirming that the polemical Moreno was "honestly and efficiently" carrying out the President's instructions. CFK added that she would make no further changes to her cabinet.

CFK Dismisses Double Command

¶11. (SBU) CFK dismissed critics who claim that her administration is ruled by a "double command" with her husband calling most of the shots. "Comments of that nature come from a biased reading of reality," she said, adding that "We're simply a political team that has worked for a long time with the same vision and common ideas about the society we want." She also disavowed rumors of her own resignation, explaining that she said she had only written three resignations in her life, with the most recent one being when she resigned as Senator to become President.

CFK on U.S. Relations: "Normal and Serious"

¶12. (SBU) In responding to a question on U.S. bilateral relations in the months after the Antonini Wilson suitcase scandal, CFK said that while she had been very upset by early reports of the arrest and the accusations, bilateral relations with the U.S. were now "normal and serious." When

asked about changes in relations with a new U.S. president, she confided that she had never followed an election with so much interest as she did the current U.S. presidential election. She remarked that the fact that an African-American is one of the candidates says much about changes in U.S. public attitudes over the past 40 years. When asked about the Fourth Fleet, CFK said she heard regional leaders express their concerns during the last Mercosur Summit in Argentina and relayed that in addition to the MFA's statement on the Fourth Fleet, she had passed these concerns to Western Hemisphere Affairs Assistant Secretary Tom Shannon and the U.S. Ambassador. She also indicated that she received assurances from A/S Shannon about U.S. intentions. CFK then shifted to talking about the ongoing work in South America to develop a common defense project as suggested by Brazil, which she supports.

Paris Club: Any Resolution Must Assure Economic Growth

¶13. (SBU) In response to a question on the /- US\$ 8 billion in Argentine Paris Club debt outstanding to sovereign creditors, CFK acknowledged GoA concern and admitted "difficulties" should a resolution require Argentina to submit to IMF oversight. Argentina "would be able to tackle this issue conveniently, with serenity and the expectations of a country that is keeping its commitments." But, she concluded, preserving Argentina's continued economic growth would be her guiding principle in resolving Paris Club debt--a principle upheld in the GoA's earlier renegotiation of its private sovereign debt when in 2005 the GoA offered a take-it-or-leave-it bond exchange offer of some \$0.30 on the dollar plus GDP growth warrants as a sweetner).

CFK Defends Argentina's Position on Doha

¶14. (SBU) In response to a question on whether or not the collapse of WTO Ministerial talks in Geneva would be on the agenda with Lula, CFK acknowledged that Argentina and Brazil had "different positions" in multilateral trade negotiations but proceeded to defend lack of GoA movement towards an agreement. She pointed out that Argentina's "industrial development was substantially less" than in developed countries, and is "different" than Brazil's, which "put us in a difficult position". (Note: The GOA considers its domestic industry to be less complementary to that found in developed countries and argues that it would be hit harder by broad liberalization.) She added that Argentine industry representatives had accompanied the delegation to Geneva, and so the GoA decision was not made "just by the government," but with the influence of the economic sector which "had created the greatest number of jobs, and had helped the sustained growth which we Argentines have had" since 2002.

Exchange Rate Policy Managed by Independent Central Bank

¶15. (SBU) An undervalued nominal exchange rate vis the U.S. dollar has been a pillar of the GoA's economic policy mix, designed to encourage exports and support the development of domestic industry. Recent nominal appreciation of the Argentine peso (due to central bank intervention) and real appreciation (due to burgeoning domestic inflation) has prompted private sector calls for a nominal devaluation to maintain the currency's competitiveness. In response to a question on the currency's value, CFK claimed that the currency value is administered by an independent central bank and that there is no "Presidential exchange rate."

CFK Underwhelmed by Business Sector Complaints

¶16. (SBU) Addressing a question on private sector

complaints regarding economic management, CFK said that "business says one thing when talking to the media and another when talking to government officials." The private sector, she said, continues to invest, with \$13 billion in new investment in the first half of 2008 (Note: In fact, the \$13 billion number refers largely to potential investments, including purchases of existing productive capacity, declared by private sector companies) and that each day, she meets with representatives of companies who are coming to locate in Argentina.

CFK Ratifies Bullet Train Project

¶17. (SBU) CFK responded to a question contrasting deteriorating conditions in the nation's rail and Greater Buenos Aires' commuter rail systems with the GoA's huge US\$ 3 plus billion project to build a bullet train from Buenos Aires through Rosario to Cordoba. The GoA, she said, is making a "great investment" in a "devastated" rail system, but that it is difficult to improve the nation's rail network with subsidized fares held as low as they currently are. The bullet train, she continued, would "not require a single centavo from the national budget," asserting that it is fully financed by a consortium led by France's Alstom.

Press Reaction

¶18. (SBU) CFK's first press conference was a major occasion for the Argentine media, which had complained heatedly about the "anti-democratic" policies of the Kirchners--since they first rose to power in 2003--to essentially ban genuine press conferences with questions and answers. CFK was carried live across the nation on television and radio, and her press encounter was on every major front page Sunday morning, August 2. Most major dailies carried photos from the press conference portraying her as defiant and some articles described her as "unrepentant." All dailies were obliged to acknowledge, however, that she had taken a step forward by giving this press conference and showing a more conciliatory tone. Pro-Kirchner, leftist Pagina/12 gave this premiere the most billing and offered a photo of a confident and smiling CFK in front of the cameras under headline "The Debut." Most of the press, however, placed its main focus on criticizing CFK's content and to a lesser degree her personal style. Most noted that nothing would change in the administration's management.

Opposition Reaction

¶19. (SBU) The opposition appears unanimous in their view that CFK's remarks at the press conference marks only a change in style, not substance. Civic Coalition leader Patricia Bullrich commented that CFK continues to ignore the same problems, which are carryovers from NK's administration.

NK's former Economy Minister Roberto Lavagna lamented that CFK continues to ignore the problems of inflation and insecurity. Buenos Aires Mayor Mauricio Macri noted that although her change of approach toward the press is positive, her entire presentation was devoid of self-reflection. He added that she did not address the people's desire for leadership changes, such as Commerce Secretary Moreno's resignation, the instability in Cordoba following the

Governor's announcement that wages and pensions would be cut, and the nationalization of Aerolineas Argentinas. Radical senator Gerardo Morales's opined "we are in the worst of worlds," adding that CFK did not do anything more than ratify the worst of her government. Vilma Ripoll from the Workers' Socialist Movement noted that although the GoA continues to promote wealth redistribution, the government maintains the same level of inequality as during former President Carlos

Menem's administration.

Atmospherics

¶20. (SBU) The conference represented a significant change from CFK's consistent avoidance of, and confrontational approach toward, the media during her eight-month tenure. In addressing the crowd of 150 journalists--the President, appeared prepared and relaxed in responding to the 25 topically diverse questions (half of which were posed by some of the 40 foreign reporters present), staying 15 minutes longer than planned to address one last question. According to local press reports, the conference was the brain-child of new Cabinet Chief Sergio Massa, who organized two murder board sessions to help her prepare for the anticipated questions. Massa would not confirm the extent of his involvement. Prior to the conference, she reportedly called her closest ministers to the Presidential residence in Olivos, including Massa, Interior Minister Florencio Randazzo, Presidential Secretary Oscar Parrilli, and Media Secretary Enrique Albistur.

¶21. (SBU) Legal and Technical Secretary Carlos Zannini and presidential spokesperson Miguel Nunez, who in serving as the conference moderator introduced himself for the first time in his five-year tenure, were also present. Not surprisingly, Vice President Cobos, who has had only one somber meeting with CFK since his tiebreaking vote against the Senate export tax, was absent. Local press reported that NK chose to watch the proceedings on TV out of concern his appearance would be a distraction. Following the conference, La Nacion described CFK as "euphoric" and NK as "exultant".

CFK's Rise in the Polls

¶22. (SBU) According to an August 3 edition of Clarin, when NK confided to consultants that the Casa Rosada needed new polls that returned CFK to a positive image of 50 - 60%, consultants considered it to be a "mission impossible". CFK's popularity has suffered significantly as a result of the farm conflict, dropping from 56% in January to 20% in June when the conflict was at its worst. Her comments during the press conference suggest a continued sensitivity to her ratings and an effort to downplay the veracity of the negative polls. Her approval rating seems to have improved slightly, with La Nacion publishing a Poliarquia poll on August 2 indicating that 31% of Argentines have a positive image of CFK. Referring to that poll during the conference, CFK said that the GoA had other polls that were different.

¶23. (SBU) Less than 48 hours after CFK's press conference, however, pro-government Buenos Aires Economico (BAE) published a separate poll by Equis and Rouvier and Associates, in which 49.3% of Argentines viewed her favorably. Ricardo Rouvier is an advisor to the Kirchners and, according to la Nacion, helped prepare CFK for her press conference. The paper claimed that he recommended that she adopt a less confrontational approach during her public appearances after reviewing her past speeches during the farm conflict.

Comment

¶24. (C) CFK's press conference represents a clear effort to adopt a more open and relaxed style with the media, perhaps calculating that the hardline measures will be more palatable when delivered cordially. The Ambassador had been told twice last week that CFK had been receiving substantial advice to adopt a less confrontational approach. CFK has been criticized by the opposition and by members of her government, including most recently her former cabinet chief Alberto Fernandez, for not having a long-term vision and

learning from her mistakes. Perhaps at least one lesson she has taken on board is to improve her conflict-ridden relationship with the media.

¶25. (SBU) On style, she did well. In addressing the crowd of 150 journalists, CFK refrained from finger wagging or scolding, appearing calm, smiling and even joking. On substance, however, she maintained the administration's consistent position on every key issue. In the aftermath of the Senate vote rejecting the GoA's variable export tariffs, there had been some hope that a Kirchner administration re-evaluation and attempt to regain the political initiative offered an opening to substantive) or at least incremental) economic reform. CFK's press conference dashed these hopes, however, with one of Argentina's best known pundits, Juan Morales Sola, calling her responses to questions "pure intransigence and ideology." CFK continued to demonize big rural agriculture for the 120-day long agricultural crisis (it was an "owners' lockout") and implied that the loss of the export tariff vote in the Senate was merely one battle in her ongoing struggle for "equitable income distribution" (read expanded income transfer from Argentina's efficient rural sector). Her ratification of massive state-sponsored infrastructure projects (the bullet train) and of price control czar Moreno's tenure, and her formulistic defense of official INDEC statistics was a declaration of business as usual.

¶26. (C) To be fair, on economic policy the GoA has recently made some modest moves to address the impact of burgeoning subsidies on the primary fiscal surplus. But these moves have been more than offset by recent GoA efforts to pump prime consumer spending via increases in the minimum wage, to quasi-index pension payments to wage increases, and to limit the impact of inflationary bracket-creep on income tax payers. Absent more substantive GoA efforts to address domestic inflation and control burgeoning subsidies, it is unlikely Argentina will see the levels of investment in domestic infrastructure needed to sustain economic growth. To many observers here, CFK's press conference was another opportunity lost to steer the ship of state's economic policy agenda towards a safe harbor.
WAYNE